



Department of Justice

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FORMER HOUSING FINANCE BOARD CHAIRMAN PLEADS GUILTY TO SUBMITTING FALSE STATEMENTS

WASHINGTON, D.C. – Assistant Attorney General Christopher A. Wray of the Criminal Division announced today that John T. Korsmo, the former Chairman of the Federal Housing Finance Board, pleaded guilty to making false statements to a Senate committee and an Inspector General who were looking into Korsmo's participation in a congressional fundraising event in October 2002.

Korsmo, 55, of Washington, D.C., was appointed to the Finance Board in 2002 and named chairman later that year. The Finance Board is an independent regulatory agency that regulates the 12 Federal Home Loan Banks, which help supply funds to lenders that finance loans for home mortgages. Korsmo resigned from the Finance Board in 2004.

Korsmo entered his plea today in federal court in Washington, D.C., before Judge Henry Kennedy. Korsmo pleaded guilty to one count of making false statements to the Senate Banking, Housing and Urban Affairs Committee, which oversees the Finance Board, and the Inspector General for the Finance Board. The Banking Committee and the Inspector General were looking into the propriety of Korsmo's participation in a fundraising event for a congressional candidate. Korsmo was listed as the "Special Guest" on the invitation to the fundraiser, and the invitations were sent to the presidents of the Federal Home Loan Banks that are regulated by the Finance Board.

Following the fundraising event, Sen. Paul Sarbanes, who was at that time the Chairman of the Senate Banking Committee, questioned Korsmo about his participation in the fundraising event whose invitations were sent to banking officials that he regulated. Senator Sarbanes also asked the Inspector General to investigate. In a written response to Senator Sarbanes, Korsmo stated that he did not know how the congressional campaign obtained contact information for the banking officials. As part of his guilty plea, Korsmo admitted that his letter to Chairman Sarbanes was false and that he knew before the fundraising event that his wife, who was involved in organizing the event, had provided Korsmo's detailed contact information for the banking officials to the campaign. Korsmo also admitted that he lied to Inspector General agents regarding his knowledge that his wife had provided the contact lists to the campaign.

The charge of making false statements carries a maximum penalty of five years in prison and a \$250,000 fine. Sentencing has been scheduled for July 11, 2005, at 9:30 a.m. at U.S. District Court in Washington, D.C.

The case was investigated by the Federal Bureau of Investigation, the Inspector General for the Finance Board, and the Office of Inspector General for the Department of Labor. The case is being prosecuted by Raymond Hulser and Daniel Petalas of the Public Integrity Section of the U.S. Department of Justice, headed by Section Chief Noel Hillman.

- 2 -

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